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Tennessee State Board of Accountancy

MEETING MINUTES July 25, 2008

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Friday, July 25, 2008, at 8:30 am.

Board members present: Vic Alexander, chairman; Stanley Sawyer, vice-chairman; William Underwood, secretary; William Blaufuss, Jennifer Brundige, Alfred Creswell, Teresa Jeter-McAvoy, Lisa Stickel, and Douglas Warren.

Board members absent: Kenneth Cozart, CPA and Shannone Raybon, Attorney-at Law.

Also present: Mark Crocker, executive director; Michael Driver, attorney; Daniel Syriac and Mary Flagg, accountancy administrative staff members; Brad Floyd, TSCPA executive director; Wendy Garvin, TSCPA member services manager; and members of Commerce and Insurance legal department.

Chairman Alexander opened the meeting and presented the following announcements: Douglas Warren was appointed incoming chairman of the Board of Examiners; Lisa Stickel will serve on a committee for NASBA; Alfred Creswell, Teresa Jeter-McAvoy and Chairman Alexander have been reappointed to the Board by the Governor.

The April board meeting minutes were presented with no corrections or changes. Mr. Warren made a motion to approve the minutes, Mr. Underwood seconded the motion, and it was unanimously approved.

Chairman Alexander asked Mr. Crocker to present the Executive Director's Report. Mr. Crocker noted that the NASBA annual meeting will be held in Boston, Massachusetts, October 26-29, 2008. All board members are encouraged to attend.

NASBA's Accounting Licensing Database Task force will meet in Nashville on August 18, 2008. Mr. Crocker will present a report at the October meeting.

The CPE auditing process is nearing completion; approximately 860 audit requests were mailed, 632 have been completed with only 13 of the completed audits reporting deficiencies. Forty-three (43) audit reports received have not been processed and 146 licensees have not responded to the request for audit reports. Second notices will be mailed to licensees that have not responded by August 1, 2008.

The Accountancy Board's new office location in the Andrew Johnson Tower is still in the organizing stage. Needed shelving for the file room was ordered so that files can be removed from boxes and permanently located on shelves.

The meeting date proposed for April 24th, 2009 conflicted with the Music City Marathon. May 1, 2009 was confirmed as the new date.

Our database is populated with approximately 3800 licensees whose CPA or Firm registrations have expired. Beginning July 28th, letters will go out requesting that their wall certificates be returned or that the reinstatement process begin. It was noted that these letters requesting the return of wall certificates could prompt phone calls to Board Members.

Mr. Crocker asked attorney Michael Driver to report on the transfer of the Peer Review program from the Board to TSCPA. Mr. Driver advised that the transfer involved a two step process. The first step required the Board to agree to discontinue its Peer Review program (step one was completed at the April, 2008 board meeting). Step two required the Board to ask for approval from Finance and Administration to enter a non-competitive, no-cost contract with the TSCPA. Step two of the process has been initiated and results will be reported at the October meeting.

Ms. Jeter McAvoy inquired about the status of hiring an Investigator for the Accountancy Board. Mr. Crocker responded that current budget issues in the State of Tennessee have delayed the process. He is working with the Assistant Commissioner to get the position filled. That concluded the Executive Director's report.

Next on the agenda was the report on the Board of Examiners presented by Douglas Warren. Mr. Warren reported that recent facts confirm 40% of candidates who sat for the exam in 2006 (using the computerized method) passed indicating a 10% increase over the number of successful candidates using the paper based exam. However, it was pointed out that the higher pass rate does not mean there are more CPAs but that candidates are just more successful.

Mr. Warren stated that globalization began as a request from NASBA to take the CPA exam outside the United States so that candidates could sit for the exam in other countries. Issues evolving from this request center on whether or not a license should be issued to the successful candidate and who should issue the license. It was realized that when candidates not residing in the United States passed the exam taken in the United States, a letter stating that the candidate had passed was being used as a CPA license to secure jobs and promotions. So then, if the exam is taken outside the United States, would a larger

number of successful candidates begin using this letter as a CPA license? A task force comprised of NASBA and the BOE are discussing the possibility of whether or not a license should be granted outside the United States; and if present laws even allow issuing a license outside the United States. NASBA contends that only State boards can issue a license. Globalization has stimulated discussion on topics such as: revenue gained by states that allow foreign candidates to sit in their state; increase in exam fees; and who will get to claim the international territory. Mr. Warren offered a closing opinion that State Boards will be asked to enter these discussions when talking in terms of globalization. This concluded Mr. Warren's report on the Board of Examiners.

A report from the NASBA Regional Meeting was presented by Lisa Stickel. Ms. Stickel thanked the Board for the opportunity to attend the meeting and stated that attending this meeting was a great means to become active in NASBA in a way that will benefit the Board. Ms. Stickel also urged new board members to attend NASBA meetings for the educational content but also as a useful networking tool.

The next agenda item was the Committee Reports. Michael Driver, staff attorney presented the Probable Cause report. Mr. Driver began by stating that a tentative settlement had been reached on the Formal Hearing that was scheduled for 9:00 am today. This was the matter of a second offense failure to obtain a peer review. The Board had previously authorized a \$2500 civil penalty. The Respondent agreed to pay the civil penalty, hearing and investigatory costs, obtain two (2) hours of continuing professional education, and complete the peer review. The Respondent also agreed that his license will be on probation until the end of this year. If other violations occur during the probationary period, the Respondent's license will be revoked. Mr. Driver recommended that the Board approve the Consent Order to resolve this matter. Motion was made by Mr. Sawyer to approve the Consent Order, seconded by Mr. Creswell. With no further discussion the Board approved the Consent Order. The Probable Cause report was continued listing eight (8) complaints with recommendations to the Board. The summary is as follows: Civil Penalties Assessed; 3: Amount of Penalties; \$12,500.00: Letters of Warning; 1: Consent Orders for Surrender or Revocation; 1: Closed; 1: Dismissed; 1: Deferred; 1. Motion was made by Mr. Underwood to approve the Probable Cause report and seconded by Ms. Jeter-McAvoy. All responded yes except Mr. Blaufuss who recused from voting on Complaint #4 but responded yes to all other complaints listed. The Probable Cause report was approved and is attached. (Attachment 1)

The next item on the agenda was the report from the Finance and Administration Committee presented by Stanley Sawyer. Mr. Sawyer reported that the F & A committee discussed Independence, Budget Review, a Reinstatement Appeal, and review of the SWOT analysis. The committee elected to defer the report on Independence to the Independence Task Force with exception of one item involving the reserve fund balance. It was reported that a capital budget will be presented at the October Board meeting by the Executive Director addressing the needs of the Board and staff. The committee report was suspended at this time in order to begin the scheduled Formal Hearing.

Formal Hearing

Judge Tom Stovall, Administrative Judge opened the Formal Hearing of the Tennessee State Board of Accountancy in the matter of Wanda J. Smithson, CPA license No.12160 and Firm registration No. 1127 as a result of the Notice of Hearing and Charges filed on April 7, 2008. Due to a conflict of interest, Chairman Vic Alexander recused himself from participation in the proceedings. Doug Warren presided. The State of Tennessee was represented by Michael D. Driver, Esq., staff attorney for the Department of Commerce and Insurance. Ms. Smithson did not appear and was deemed to be in default. After deliberations, the Board voted unanimously (Mr. Alexander recused), to revoke Ms. Smithson's license to practice public accounting and her firm registration for failure to comply with peer review and licensure requirements. The hearing was adjourned.

Continued F & A Report.

Mr. Sawyer asked for a motion to approve the 2008-2009 Fiscal Budget as presented. Mr. Underwood made the motion to approve the 2008-2009 Budget, seconded by Ms. Lisa Stickel. No further discussion. Board voted unanimously to approve the Budget. Mr. Sawyer made a motion to approve the Travel Plan as it is separate from the Fiscal Budget. Mr. Underwood seconded the motion. The Board unanimously approved the Travel Plan.

Chairman Alexander asked for a motion concerning the recommendation to seek opinion from the Attorney General regarding, 62-1-121 (d) Fund of the state of board of accountancy and 62-1-105 (c) hiring professional staff. Ms. Jeter-McAvoy made a motion to seek an opinion from the Attorney General to determine if HB4149 could supersede Tennessee Code Annotated section 62-1-121(d) and allow a transfer from the Reserve Fund of the Accountancy Board to the state general fund and for a definition of the word professional cited in 62-1-105. The motion was seconded by Mr. Underwood. With no further discussion, Board approved the motion by a unanimous vote.

Review of the SWOT analysis prompted a motion from Mr. Warren to move the SWOT analysis into action. Seconded by Ms. Stickel. Without opposition, the Board approved. This concluded the report from the F & A committee.

The next agenda item was the report from the Licensing Committee. This report was presented by Ms. Terri Jeter-McAvoy. The committee denied a Tennessee Exempt Organization application from Growth Coach seeking to become a CPE provider with a recommendation to apply through NASBA. The Committee is asking the Board to approve the form designed that will be used to formalize the application process of Tennessee State Specific Ethics providers. A State Specific Ethics course from Deloitte was approved. The Committee is seeking approval of a policy statement that will allow the Executive Director authority to send applications for Tennessee State Specific 1-Hour Ethics courses to committee members for tentative approval prior to board meetings. This will allow timing to get applications approved before they are formally introduced to the Board. The Committee is researching the best course of action regarding licensees that do not respond to the Board audit request. The Committee approved NASBA to begin printing Wall Certificates for CPAs as long as this action is not cost prohibitive to licensees. The Committee approved a candidate's request for an extension of 18 months time to complete the CPA exam due to

being deployed to active military duty. The Committee seeks approval for a policy that states CPA candidates deployed to active military duty will be granted an extension of time that will equal the number of months of active duty. A total of eighty-two (82) initial applications were received with twenty-two (22) being reciprocal. Twenty-one (21) applications were audited with no exceptions. The Committee made a formal request to the Board to add an agenda item that will allow the staff attorney to discuss a section of the law and rules during Board meetings to foster understanding among board members. The report from the Licensing Committee was concluded. Following discussions, Chairman Alexander asked for a motion to accept the Committee's report and authorize the actions they are seeking. Ms. Stickel so moved and Mr. Warren seconded. Without further discussion the motion was approved by the Board.

The Peer Review Committee report was presented by Mr. Blaufuss. Mr. Blaufuss stated that there was a discussion on the objectives of the Committee with agreement to explore opportunities to better serve the Board in fulfilling the Peer Review Committee function. It was noted that further assistance from the Board staff, TSCPA, and NASBA was needed to clarify the Committee's oversight agenda. The Peer Review statistics indicate that 454 reviews are due in 2008. The Board has a deadline of August 31 for reporting and the TSCPA has a December 31 deadline to report peer reviews. One hundred thirty-eight (138) reports have been completed and accepted. The Committee granted two (2) practitioners exemption from the Peer Review reporting requirement because they have not provided attest services during the time required. The report was concluded. Mr. Blaufuss moved for approval of the Peer Review Committee Report. Motion was seconded by Mr. Alexander. Without discussion, the Board approved the motion.

The next agenda item was the Executive Committee report presented by Vic Alexander. The Committee recommended deleting policy #4 Interstate Practice of Accounting from the Policy Statement due to the Mobility Law. Mr. Sawyer made a motion to delete item #4 from the Policy Statement. Ms. Jeter-McAvoy seconded. Motion approved by unanimous vote. The contract for Jim Michie a member of the Peer Review Oversight Committee will expire September 30, 2008. The Committee is seeking two (2) board members to review application and resumes for this position. Mr. Sawyer and Mr. Blaufuss volunteered to carry out this responsibility.

Old Business

The report on Independence was presented by Terri Jeter-McAvoy. A copy of the report on Independence was given to each board member detailing the findings of the research, surveys, and meetings involved in this work. Reasons for autonomy were given as well as a history of Board activity on this subject. The course of action to pursue this endeavor is outlined in the report that was passed out. The recommendation from Ms. Jeter-McAvoy is that any action on this topic be deferred. Mr. Warren moved to accept the report and recommendation from Ms. Jeter-McAvoy. Mr. Underwood seconded the motion. With no opposition, the Board approved the motion.

New Business

A Professional Mutual Recognition Agreement between Tennessee and Ireland was distributed to the board members. Mr. Crocker asked that board members review this information and be prepared to discuss at the October meeting.

Ms. Jeter-McAvoy introduced a motion asking the Board to approve looking into CPE tracking. Mr. Sawyer seconded the motion. Without opposition, the Board approved.

Ms. Jeter-McAvoy recommended that the Board go on record as supporting the need for the Executive Director and a Board Member to attend TSCPA Council Meetings.

Ms. Jeter-McAvoy noted that a discussion on dues was needed. It was asked that this topic be put the agenda of the May 2009 meeting.

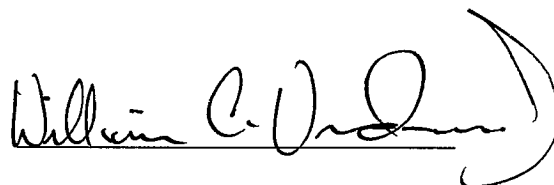
No further business was discussed.

The meeting was adjourned.

Approved by



Chairman



Secretary